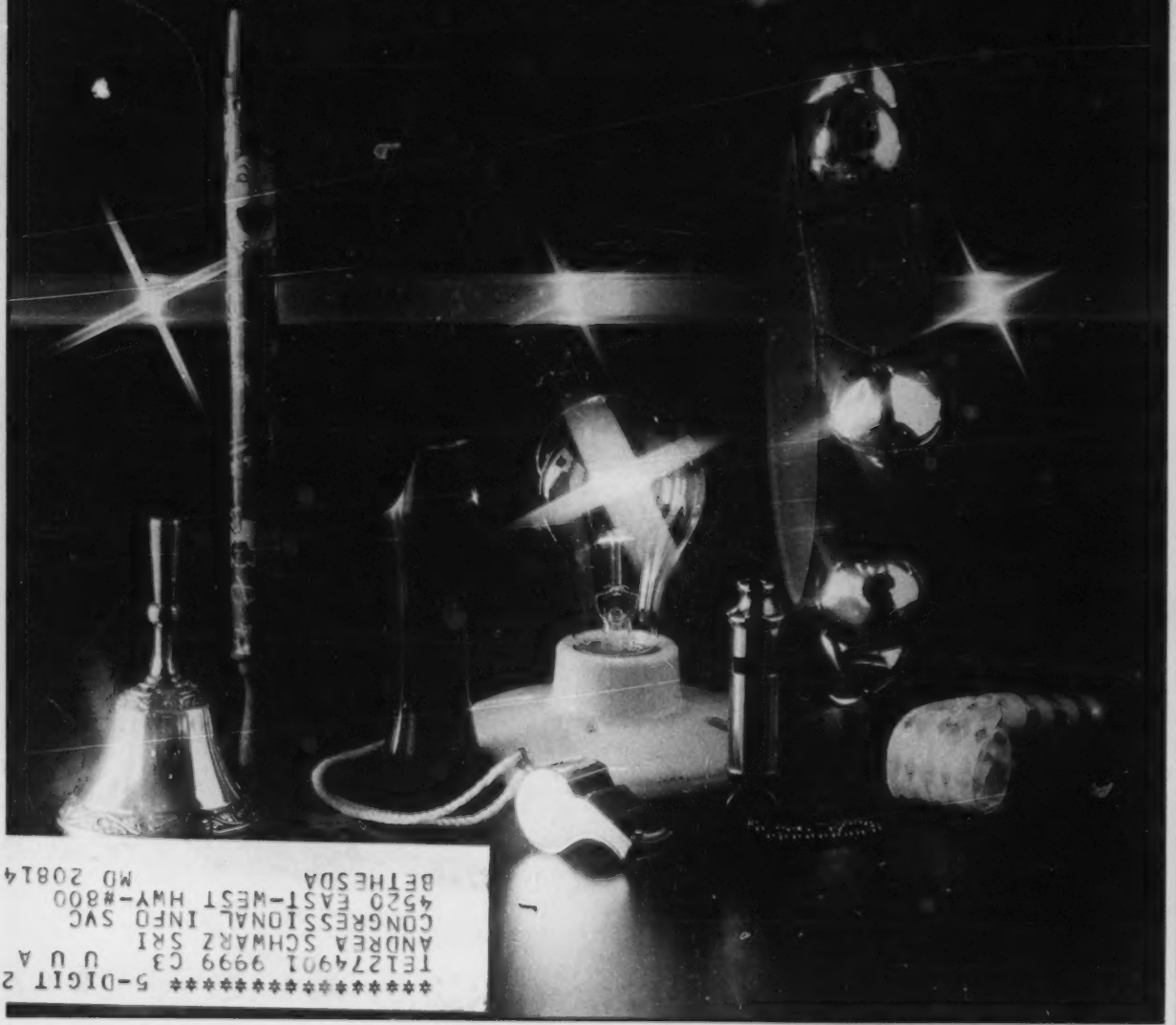
- C2425-2
11/2/87

TRUSTS & ESTATES®

ESTATE PLANNING & ADMINISTRATION A Publication of Communication Channels Inc NOVEMBER 1987

Trust Marketing: More Than Just Bells and Whistles

The Trust Fiscal Year Switch — No Short Cuts, Not Much Fun



5-DIGIT 20814 ********** C3 9999 TE127490I
U U A
ANDREA SCHWARZ SRI
CONGRESSIONAL INFO SVC
4520 EAST-WEST HWY-#800
BETHESDA MD 20814

TRUSTS & ESTATES

Volume 126, No.11 NOVEMBER 1987

Estate Planning and Administration Since 1904

TRUST MARKETING

10 / **Cultivating A 'Sales Culture'**
Attempts by trust departments to involve more people in the sales process is examined in an interview with Valley National's Robert Johnson

14 / **Courting A Segmented Market**
Trust marketers should map out separate strategies for dealing with the four different groups included in the affluent market
Thomas J. Stanley, Terry Powell, William D. Danko

22 / **Searching For Quality Service**
MTrust Corp has discovered that the key to quality service is a marketing strategy that is understood and practiced by employees
Fran Micka

26 / **New Rules Do Not Mix Well**
Passive activity loss and investment interest limitation provisions present difficulties
Byrle M. Abbin

36 / **The Trust Fiscal Year Switch: No Short Cuts — Not Much Fun**
The preparation of the 1987 changeover short-period trust income tax return will pose many new and peculiar problems
Bernard Barnett

46 / **Questions and Answers On Estate Planning and Administration**
Answers to readers' questions
Roy M. Adams

COVER

Trust marketing is more than just bells and whistles. This month we alert you to what is new and what is successful in the trust marketing field. Photo courtesy of The Meridian Group, Deerfield, Illinois.

DEPARTMENTS

60 Ad Index
4 Commentary
54 Law & Life Insurance
59 Meetings & Conventions
57 Philanthropy & Estate Planning
6 Trends & Developments

TRUSTS & ESTATES

CHARLES E. LLOYD	Executive Group Publisher
MICHAEL S. KLIM	Editor
DIANE SOFRANEC	Assistant Editor
ROY M. ADAMS	Editorial Consultant
JUDITH W. McCUE	Book Editor
KAREN KUTZ ELLEN PERLMAN	Washington Bureau
BARBARA S. BROMBERG BURKE A. CHRISTENSEN CONRAD TEITELL	Contributing Editors
ROBERT RODD	National Sales Director
ELMER DALTON	Circulation Director
BETH ASHLEY	Circulation Manager
MARTIN E. GREENE	Production Director
PETER WARD	Marketing Director
BRIAN BUXTON	Art Director
NANCY HICKS	Promotion Director
ALICE HARNED	Promotion Manager

EDITORIAL ADVISORY BOARD

G. W. P. ATKINS JR.	First Wachovia Trust Services, Inc. Atlanta
BERNARD BARNETT	Seidman & Seidman New York City
JONATHAN G. BLATTMACHR	Milbank, Tweed, Hadley & McCloy New York City
SCOTT BLECH	Texas Bankers Association Trust Division Austin
SUSAN BRACHTL	U.S. Trust Co. of New York New York City
DAVID E. LAJOIE	Coopers & Lybrand Dallas
HOWARD M. MCCUE III	Mayer, Brown & Platt Chicago
JEFFREY N. PENNELL	Emory University Law School Atlanta
J. TIMOTHY RITCHIE	The Northern Trust Co. Chicago
SIDNEY H. SCHNECK	Citibank New York City
CLARE SPRINGS	Dinkelspiel, Donovan & Reder San Francisco
M.L. WHITE	Mellon Bank Pittsburgh
WILLIAM D. ZABEL	Schulte Roth & Zabel New York City and Palm Beach, Fla.

Trusts & Estates is published monthly (with a 13th issue in December) by Communication Channels, Inc., George E. Fowkes, Chairman of the Board; Jerrold France, President; Scott Smith, Secretary; Buford Bryant, Treasurer. Editorial and advertising offices at 6255 Barfield Road, Atlanta, GA 30328. Telephone 404-256-9800. Washington office at 4351 Garden City Dr. Landover, Md. 20785. Telephone 301-731-0157. *Trusts & Estates* is a registered trademark of Communication Channels, Inc. © 1987 by Communication Channels, Inc. Second class postage paid at Atlanta, GA and additional mailing offices. Subscription rates: U.S.A., 1 year, $49; 2 years, $82; Canada and Mexico, 1 year, $53; Overseas: sea mail $67; air mail $114. Single copies, $3.95. *The Directory of Trust Institutions* is included in subscription; single copy $35.50. The opinions expressed by authors and contributors to *Trusts & Estates* are not necessarily those of the editors or publisher. Articles appearing in *Trusts & Estates* may not be reproduced in whole or in part without the express permission of the publisher. Microfilm copies of *Trusts & Estates* are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Postmaster: Please send form 3579 to Circulation Department, *Trusts & Estates*, 6255 Barfield Road, Atlanta, GA 30328.

ISSN 0041-3682

BPA

Commentary

Buying the Idea That Bankers Must Sell

"A lot of people went into banking because it's the one place that they thought they would never be asked to sell." So reports one trust marketer. If this is the case, those people are in for a rude awakening according to those most knowledgeable in the trust services field.

The most prominent trend in the marketing of trust services today is the growth of the "sales culture." This means getting more people in all levels of the trust department involved in the sales process, from the administrative and investment levels to those employees who have indirect contact with the customer.

"You have to make a commitment to sell," says Bob Johnson, senior vice president and manager of the Trust Division at Valley National Bank in Phoenix. "This is not an easy thing to do in a banking environment. You have to make employees understand that sales is a part of everybody's responsibility."

Johnson, who is interviewed in this month's issue, is also a member of the Board of Directors of the Bank Marketing Association. He says, "What we (trust departments) really have to do is become a sales organization. We have to be able to get out into the marketplace and convince people that we can provide the best service for them. Banks have not traditionally done that. It's not something that comes easily to a bank, but I think that's why we're seeing so much emphasis on sales culture."

"People are just realizing that it (the trust department) has to be operated like a business. If you're going to be successful, you've got to provide the best service and you've got to have an organization that can get out and market the service," says Johnson.

Obviously, the first step to marketing any service is to define your market. Professor Tom Stanley of Georgia State University and his collegues have attempted to do just that for what is the trust department's major client base, the affluent market. In this issue, Professor Stanley presents his findings from a recently completed study which show that there are at least four distinct segments in the affluent market. While Professor Stanley tells us that these four groups share common factors, he also tells us that each group utilizes various bank products to different degrees and a distinct strategy should be mapped out for approaching each group.

Also in this issue, Fran Micka of MTrust Corp in Dallas, Texas details a recent multi-client market research study of the small to mid-size employee benefits market in which MTrust Corp participated. She describes how MTrust's quest for more complete client information led to improved marketing techniques. □

Trends & Developments

Income Taxes Top Source of Revenue

Although there have been many changes in taxation, one aspect has remained constant — for the fourteenth consecutive year, income taxes have been the states primary source of revenue.

In fiscal 1986, income tax collections totaled $85.8 billion, while general sales and gross receipts tax collections provided $74.8 billion.

As a result, 29 states and the District of Columbia received revenue from income taxes, and 19 states received revenue from sales taxes.

Total state tax collections amounted to $228.1 billion in fiscal 1986, an increase of 5.6 percent over the $215.9 billion collected in fiscal 1985.

The largest percentage of increase occurred in insurance premium tax collections, which were up 25.8 percent. Property taxes experienced the second largest percentage of growth at 9.3 percent, while general sales and gross receipts tax collections came in third with 7.5 percent.

Other taxes that registered increased collections were alcoholic beverage taxes, motor vehicle license taxes, individual income taxes, motor fuel taxes and corporation net income taxes.

Tax revenues increased in the District of Columbia and 40 states from fiscal 1985 to fiscal 1986. The increases ranged from an insignificant amount in West Virginia to a high of 15.8 percent in Massachusetts.

The 10 states registering a decline in revenues were Alaska, Kansas, Louisiana, Minnesota, Montana, North Dekota, Oklahoma, Oregon, Texas, and Wyoming.

Nearly one-half of all state tax revenue was collected in California ($30.9 billion), New York ($22.7 billion), Texas ($11.1 billion), Pennsylvania ($10.7 billion), Illinois ($9.8 billion), Michigan ($9.3 billion), Florida ($9.8 billion), and Ohio ($9.1 billion).

IRS Scrutinizes Tax Returns for Fraud

If you think you can cheat on your taxes and get away with it, think again. The Internal Revenue Service knows what to look for when checking tax returns for fraud.

As far as the IRS is concerned, fraud may involve filing a false return in order to receive an undeserved refund, a tax return that is filed to evade tax payment, or attempted evasion and conspiracy to defraud. In addition, tax return preparers who advise a taxpayer to commit, or help commit fraud can also be found guilty of fraud.

Once fraud is suspected, the IRS must prove that the taxpayer understated his tax liability. To do this, they must show that the taxpayer is liable for tax, and has received, or had the right to receive, taxable income. Then they must prove that such income was underreported or deductions or credits were overstated. In addition, it must also be proven that such understatement was a deliberate intent to evade tax.

Certainly a failure to report the correct income may be the cause of mistake, inadvertence, reliance on professional advice, an honest difference in opinion, or negligence all of which the government does not consider a deliberate intent to defraud.

However, the IRS does consider the failure to report entire sources of income, such as tips, or specific items included in income such as dividends received, failure to report substantial amounts of income received, the concealment of bank accounts or other property, and the failure to deposit receipts to a business account, contrary to normal practices, an indication of possible understated income.

In addition, a substantial overstatement of deductions may constitute fraud and warrent a closer look at a taxpayer's return. The inclusion of un-

Courting A Segmented Market

Trust marketers should map out separate strategies for dealing with each of four different groups included in the affluent market

By **THOMAS J. STANLEY**
Professor of Marketing
Georgia State University
Atlanta, Ga.

TERRY POWELL
Associate Professor
Kennesaw College
Marietta, Ga.

WILLIAM D. DANKO
Assistant Professor
State University New York
Albany, N.Y.

The data for this study were derived by personal interviews with 165 individuals. These respondents were self-designated as the main or joint financial decision maker for their households. Financial decision maker refers to having the responsibility and authority to make patronage decisions concerning bank choice as well as financial product and service selection.

The sample was selected using a multistage design. First, neighborhood block groups each containing approximately 280 households were listed for a two county area. These block groups were then ranked according to median housing value. Next, the top two percent of the block groups (in terms of housing value) were assigned to each of the interviewers. Each interviewer was instructed to select every fourth household within each assigned area until his quota was met.

Interviewers made three attempts to solicit responses from each household selected. In cases where contact could not be made after three attempts, the household on either side of the originally selected household was substituted. Of those originally selected to complete the survey, approximately 9 percent refused to be interviewed, 38 percent were classified as either not at home/decision maker not available. Fifty-three percent of the respondents were from the original group selected. The other respondents were from substitute households.

The sample was deliberately limited to affluent neighborhoods. It was the purpose of the study to interview only those who would be classified as affluent. All respondents owned primary residences that had a market value in excess of $180,000. The study was conducted within a two county area that was adjacent to a large city located in the eastern part of the United States.

Respondents were asked to rate the desirability of 22 "upscale" financial service offerings that were categorized under seven headings. They were asked to make these evaluations in terms of a commercial bank offering these services. The five point desirability scale ranged from "very desirable" to "not desirable." Samples of the financial service offerings are given in Table 1. These items were selected after reviewing the literature that addresses the financial service needs of the affluent consumer.

The sample was deliberately limited to affluent neighborhoods. It was the purpose of the study to interview only those who would be classified as affluent.

In addition to the desirability ratings, the respondents completed a series of questions dealing with their demographic characteristics. These questions included: age, education, sex, occupation, income, net worth, and the percentage of net worth that was inherited.

The ratings of the "upscale" financial service offerings were factor analyzed. Factor analysis is a technique that groups or summarizes variables together that exhibit common hypothetical characteristics. A factor analysis is commonly used in the creation of attitudinal scales. Table 1 illustrates the seven "upscale" financial service scales that were developed.

In order to construct several continuous variables, the item values were summed across respondents in the traditional scale construction fashion. The scale names, sample statements, factor

loadings, and split half reliability coefficients are given in Table 1. The seven scales used in the study demonstrated moderately high reliability ranging from .41 to .81.

In an effort to categorize respondents into homogeneous groups according to their ratings of the "upscale" feature, a cluster analysis was undertaken. Cluster analysis is a technique that places individuals into groups possessing similar characteristics. The characteristics of interest in this study were the bank feature scales. The clusters were arrived at by grouping the two individuals who were closest in their ratings of the bank feaures along the seven scales, then the next closest and so forth until all respondents were clustered. The goal is to obtain groups with the maximum intergroup differences and the minimum intra-group differences. For marketers of financial services, this approach is particularly attractive when attempting to identify various consumer segments.

The data were analyzed using the backward profiling method. As an initial step, respondents were clustered according to their respective positions on the bank feature evaluation scales. After each respondent was categorized, an analysis of differences among the clusters in terms of demographic and socioeconomic variables was undertaken.

Table 1

Desirability Scales: Ratings Of "Upscale" Banking Features

Scale Name	Sample Feature	Factor Loading	Number of Features	Split-half Reliability Coefficient	Range
Investment Management and Advice	Asset Management	.69	4	.81	4-20
Personal Custody	Dividend collection	.68	3	.71	3-15
Immediate Access to Credit	A line of credit of $25,000 or more	.56	5	.42	5-25
Conservative Investments	Jumbo CDs	.61	2	.72	2-10
Fiduciary Services	Trustee	.83	2	.78	2-10
Private Banking	Offices with small bank/personal atmosphere	.45	3	.41	3-15
Traditional Credit Services	Home mortgages	.65	3	.48	3-15

Table 2

Mean Desirability Ratings By Clusters

	Cluster (Percent)				
"Upscale" Bank Feature[1]	I (31.1) Private Bank Prone	II (40.9) Traditional Affluent	III (7.3) Credit Prone	IV (20.7) Conservative Investor	TOTAL (100.0)
Investment Management and Advice	3.3 (2)[2]	2.6 (1)	3.9 (4)	3.7 (3)	3.2
Personal Custody	3.6 (2)	2.8 (1)	4.2 (4)	3.7 (3)	3.4
Immediate Access to Credit	2.4 (3)	2.2 (2)	1.9 (1)	2.6 (4)	2.3
Conservative Investments	2.5 (3)	1.6 (1)	2.6 (4)	2.3 (2)	2.1
Fiduciary Services	2.8 (2)	1.9 (1)	3.5 (4)	3.0 (3)	2.6
Private Banking	1.6 (1)	2.2 (2.5)	2.2 (2.5)	2.8 (4)	2.2
Traditional Credit Services	2.2 (2.5)	1.6 (1)	2.2 (2.5)	2.6 (4)	2.1

[1]A significant univariate F-ratio ($p < .001$) was found among cluster means for all seven bank feature categories.
[2]Numbers in (parentheses) refer to the desirability ranking across cluster. Ranks were computed from the cluster means for each desirability measure (with 1 the highest desirability ranking and 4 the lowest). For example, the traditional affluent cluster had the highest desirability rank for investment management and advice while the credit prone cluster had the lowest.

Results

The respondent's ratings of the desirability of bank features (see Table 1) provided the basis for identifying the clusters. Veldman's H Group hierarchial cluster program was used and generated the four group solution illustrated in Table 2.

The four group solution was appropriate because the marginal error increased significantly when a three group solution was examined. Also, the test of significance across the group in regard to the seven variables provided additional support for the four group solution. All among group univariate F-ratios for the seven desirability dimensions were significant at the $p < .001$ level.

Desirability of Features

The overall evaluations of the desirability of the features provide some interesting contrasts. Conservative investments, traditional credit services, private banking, and immediate access to credit were rated as more desirable than the other features, e.g., investment management and advice, personal custody services, and fiduciary services (see Table 2). However, it is important to note that although some common evaluations of the features were present, several significant differences separated the groups.

Based upon the mean values along the bank feature scales, each group was given a title. These titles reflect the distinct character of each cluster. These groups and the percent of the sample they represent are as follows: (1) private bank prone (31.1), (2) traditional affluent (40.9), (3) credit prone (7.3), and (4) conservative investor (20.7).

The *private bank prone* group rated the private banking feature as signficantly more desirable than any of the other groups. This is especially interesting because the sample as a whole rated this factor higher than most of the other features except conservative investments and traditional credit service. The items in the private banking scale included offices with small bank personal atmosphere, large safe deposit box, and private security vault for large items.

The private bank group also rated traditional credit services and immediate access to credit, i.e., credit line of $25,000 or more as more desirable than other features. The private bank atmosphere and credit needs of this group are congruent with the "upscale" service packages some financial institutions offer.

The *traditional affluent group* was so called because it demonstrated a need for many of the financial products and services that banks have traditionally offered their wealthiest clients. In a relative sense, this group had the highest desirability rating on five of the seven feature dimensions. These dimensions included investment management and advice, personal custody, conservative investments, fiduciary services, and traditional credit services. These evaluations reflect the needs of those clients that many bankers consider to be established wealth. Many of these products and services, such as management, custody, and fiduciary offerings, were designed to assist the wealthy conserve and protect their wealth.

The smallest group within the sample was given the title *credit prone*. This title is appropriate since the group had the highest desirability value on the immediate credit access dimension. Their desire for immediate credit is also significant in a nominal sense. Other features rated as desirable by this group were private banking and traditional credit services.

Interestingly, the credit prone group showed little interest in the wealth conservation and protection products and services offered by banks. This type of response pattern is typical of affluent people who have leveraged their high incomes and who also have relatively small net worths.

Those respondents in the *conservative investor* group rated conservative investments as the most desirable feature in relation to the other features. Only the traditional affluent group rated this feature as more desirable than this group.

For the typical member of the conservative investor group, features such as investment management and advice, personal custody, fiduciary services, private banking, and traditional credit services were significantly less desirable than the conservative investments offered by banks. Conservative offerings include: Jumbo CDs ($100,000 or more), savings certificates, and U.S. Treasury Bills.

The characteristics of the overall sample clearly reflect affluence (see Table 3). The typical respondent had an annual median household income of approximately $130,000. Nearly one third (32.3 percent) had net worths of one million dollars or more. Also, the sample contained many respondents who inherited 10 percent or more of the household's net worth.

Almost nine out of ten respondents (89.6 percent) were married, 67.8 percent had dependent children 18 years of age or younger. The median age of the group was 46. Nearly 80 percent were college graduates. Approximately one third of the respondents were female.

The sample respondents were classified into five occupational categories (see Table 4). Many of the respondents (36.3 percent) categorized themselves as

Table 3

Demographic And Socioeconomic Characteristics Of Clusters[1]

	Cluster (Percent)				
Characteristic[1]	I (31.1) Private Bank Prone	II (40.9) Traditional Affluent	III (7.3) Credit Prone	IV (20.7) Conservative Investor	TOTAL
Married	86.3	91.0	100.0	88.2	89.6
Dependent Children 18 years or younger (%)	60.7	86.9	33.3	52.9	67.8
Median Age (years)	45	42	52	52	46
College Graduate (%)	79.5	85.1	66.7	79.4	79.9
Annual Median Income (000s)	96.8	151.8	150	133.2	130.7
Net Worth of One Million Dollars or More (%)	23.5	41.8	8.3	35.3	32.3
Inherited 10% or More of Net Worth (%)	20	34.6	0	22.6	25.1
Male (%)	65	77	42	59	67

[1]A significant Chi Square value ($p \leq .05$, $X^2 \geq 7.82$, 3 d.f.) was found in regard to all cluster characteristics except marital status ($p > .05$).

Table 4

Occupational Characteristics Of Clusters

	Cluster (Percent)				
Occupation	I (31.1) Private Bank Prone	II (40.9) Traditional Affluent	III (7.3) Credit Prone	IV (20.7) Conservative Investor	TOTAL
Corporate Executive	29.4	41.8	41.7	35.3	36.3
Professional (MD, CPA, et. al)	23.5	13.4	8.3	14.7	16.5
Self-employed entrepreneur	21.6	25.4	16.7	20.6	22.6
Housewife	17.6	14.9	33.3	17.6	16.4
Retired	7.8	4.5	0	11.8	8

corporate executives, 16.5 percent were professionals. Only 13.6 percent designated themselves as self-employed entrepreneurs. Housewives made up 16.4 percent of the sample. Eight percent of all the respondents were retired.

Differences Among Groups

The groups differed from one another along several characteristic dimensions. The *private bank prone* group had a median age of 45 and an annual median income that was more than $30,000 below the average for the entire sample (see Table 3). Also, only 23.5 percent of this group had a net worth of one million dollars or more. Nearly one third of the entire sample (32.3 percent) were classified as millionaires. However, 20 percent reported that at least 10 percent of their wealth came from inheritance.

The private bank prone group, as a percent, had fewer corporate executives (29.4 percent), than the sample (36.3 percent). However, the group had a significantly higher percentage of its members in the professional category (23.5 percent) compared to the total (16.5 percent).

Although many members of this group held prestigious occupational positions and lived in exclusive neighborhoods, they had significantly lower incomes. One may speculate that in order to compete, that is, maintain a conspicuous standard of living congruent with other affluent consumers, this group leverages future income. This is not atypical for affluent people who have not yet reached the later stages of their financial life cycles. It is probable that they feel that a "private bank" environment is where professional treatment, personal interaction, empathy for credit needs and confidentiality are critical features in attaining large credit lines, mortgages, personal loans, etc. One might conclude that this group desires private banking because they view it as a productive and efficient system for accessing funds.

The *traditional affluent* group is the most unique of the sample. The typical member is significantly younger (42 years) than the average respondent. Over 85 percent have dependent children. They are also better educated, 85.1 percent are college graduates.

The wealth and income characteristics of the traditional affluent are quite unique. Their annual median income ($151,800) was more than $20,000 higher than the average for the sample, $55,000 higher than the private bank prone group. Over 42 percent were in the millionaire category. Also interesting, more than one third received 10 percent or more of their incomes from inherited sources. These wealth features are of particular notice when one considers the hypotheses that have been previously developed. Those individuals who have inherited a significant portion of their wealth are more likely than "new money" consumers to have knowledge, preference, and actual experience with traditional "upscale" bank offerrings. On five of the seven bank feature scales, the traditional affluent group had the strongest desire of the four groups considered. These features were classified as investment management and advice, personal custody, conservative investments, fiduciary services, and traditional credit services.

It is likely that those affluent customers who have earned most of their own wealth are not "socialized" or interested in the benefits of wealth preservation and protecting products and services.

These results indicated that a relationship exists between source of wealth and preferences for "upscale" features. Many of the features that were rated desirable by the traditionally affluent group reflect a desire to protect and preserve wealth. However, evidence contrary to the hypothesis that older affluent consumers are more interested than younger ones in protecting and preserving wealth emerged. The traditional affluent group, although the youngest of the groups, had the strongest desirability ranking for many protection and preservation products and services. It would appear that source of wealth is more important in explaining preferences for "upscale" bank features than age or life cycle. Alternatively, it is speculated that respondents in other groups are less likely to be socialized in the offerings provided the affluent by the trust and investment areas of commercial banks.

The *credit prone* group was older than the typical respondent (52 vs. 46 years of age). Also, its annual median income was significantly higher ($150,000 vs. $130,700) than the figure for the entire sample. Although the group's income was higher than average, only 8.3 percent indicated having a net worth of one million dollars or more. Also, none of the respondents of this group indicated receiving 10 percent or more of their wealth from inheritance. Another unique feature of the credit prone group was the fact that 58 percent of its members were females. One third of its members designated themselves as housewives.

The credit prone and private bank groups are somewhat similar in terms of their credit and private banking preferences. However, they are distinct in several ways. The credit prone group had greater desire for immediate credit access than any of the other groups. Both showed a moderate interest in traditional credit services. The private bank prone group rated private banking more desirable than the credit prone group did. However, in a nonimal sense, both felt this service was desirable. But the most unique feature of the credit prone group was its strong lack of desire for many "upscale" offerings, e.g., investment management and advice, personal custody, conservative investments, and fiduciary services.

It is a plausible hypothesis that the lack of interest on the part of this group in traditional upscale features is associated with its source of income and wealth. It is likely that those affluent consumers who have earned most of their own wealth are, as previously mentioned, not "socialized" or interested in the benefits of wealth preservation and protecting products and services. Alternatively, it may be that this group's relatively smaller net worth gives them the self-perception that "I am too small for upscale trust and investment bankers to be interested in me."

It is also possible to speculate that this group's interest in immediate credit access is a direct function of their smaller than average net worth and higher than average income. Income is leveraged perhaps more than their asset base. Corporate executives are frequent and heavy borrowers and this borrowing is often associated with the purchase of tax shelters.

The conservative investor group shows significantly less interest in the seven features than the sample as a

whole. In both a relative and nominal sense, conservative investment features are desirable. This lack of interest in the features may be attributed to the fact that many in this group are in the later stages of their financial life cycles. Also, over one third of this group (35.3 percent) were millionaires. Some may feel that they have already "made it" financially. Except for conservative investments, financial products and services may not be very appealing to this group. At this later stage of their financial life cycle, these consumers may wish to protect and conserve their wealth. But they don't show an interest in allowing a commercial bank to provide trust and investment services. It may be that the group prefers to invest and manage its own investments.

Strategic Implications

The results of this study support the contention that the affluent market is made up of several segments. Four distinct segments were identified. It is likely that the affluent market is composed of even more segments than this number. This is plausible since the respondents to this study lived in similar suburban neighborhoods where occupational characteristics as well as age and income were somewhat homogenous. Future research should consider other possible segments that may be found to exist in wealthy urban areas, affluent resort and retirement communities, as well as affluent rural areas.

Although four distinct segments were identified, several common factors were found. In spite of differences in the relative ranking of upscale features, in a nominal sense, all segments had a desire for credit products and services, private banking, and conservative investments. Given the intensity of their desire for credit, one would speculate that credit products and services can be used in attracting affluent prospects and retaining current customers. The results also point out that private banking in concert with high credit lines, traditional credit services, and possibly high yield money market instruments will provide a very attractive promotional theme.

Satisfy Credit Needs

Private banking should be promoted as a vehicle for satisfying credit needs. A credit application, including a financial statement, should be used as part of the membership requirements. Memberships will be granted to those who qualify in terms of income and/or net worth, as indicated in their financial statements. The affluent consumer's need for credit should be exploited by commercial banks. That is, banks should provide innovative credit products and services to those who are willing to adopt other upscale offerings, such as investment management, custody, and trusts. Financial statements that are required for credit lines will provide the bank with important insights into the asset composition and corresponding financial service needs.

Private banking should be promoted as a vehicle for satisfying credit needs. A credit application, including a financial statement, should be used as part of the membership requirements.

Different Needs

The type of credit products and services are likely to differ among the clusters identified. For example, Cluster I (Private Bank Prone) may be using credit to maintain its social position among its more affluent neighbors. Thus, this group leverages future income. However, one in four are in the millionaire category. This may be a good target market for banks who are willing to loan money to those who may develop a desire for other upscale products and services, such as trusts and investment management. It is plausible to assume that many members of this group as they pass into the later stages of their financial life cycles will accumulate even greater wealth. These "credit types" can be cross sold other offerings as their credit needs give way to preservation and protection needs. However, this group is at present interested in both innovative credit lines as well as home mortgages. Therefore, private banking promotions emphasizing these features will likely be productive in attracting this group.

The second group (Traditional Affluent) is unique in that it has a desire for all of the features considered. It is likely that this desire was developed through its family's experience with upscale bank features. One may speculate that those who have been directly exposed to the offerings of trust and investment departments are more likely to be positive in their view of these features.

The traditional affluent may not be a prime target for customer development strategies. It is likely that many of the members of this group have already established strong financial service patronage habits with a particular institution. Nevertheless, efficient private banking and credit offerings, such as a creative mortgage, may provide an impetus for changing banks.

The third cluster (Credit Prone) is likely to respond to promotional themes emphasizing rapid access to funds. This group was more negative than any other in regard to products and services which can be classified as traditional upscale offerings. This may be directly attributed to the fact that none of its members inherited a substantial part of their wealth. One may speculate that this group has not been socialized in the benefits of offerings by trust and investment departments. Alternatively, its members may not perceive a need for such services because of their relative low net worth. It would appear that this group is not a primary target for trust and investment products. The members of this group are, however, likely to be important credit customers.

The fourth group (Conservative Investor) is the least interested of the groups in most of the features. It would be more difficult for banks to encourage the members of this group to change patronage habits. This is typical of older, affluent people. However, private banking themes emphasizing conservative investments, as well as selective credit instruments, may be viable in this regard. □

Thomas J. Stanley is professor of marketing at Georgia State University and the director of the Affluent Market Institute. He received his Ph.D. from the University of Georgia in 1974. Mr. Stanley is currently working on a book entitled *Successful Marketing: Capitalizing on the Myths of the Affluent Market*.

Terry Powell is associate professor of marketing at Kennesaw College and is a 1978 graduate of University of Arkansas.

William D. Danko is an assistant professor at State University New York.